



Mitchell Adams, Commissioner
Joseph J. Chessey, Jr., Deputy Commissioner

CITY & TOWN

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The Future of Municipal Computing?

written by David Davies

Dramatic changes in computer technology are indications that the future will demand profound shifts in technology strategies and staffing. Year 2000, system obsolescence, and computer industry marketing will soon cause many local governments to purchase new systems. The new computers will be more powerful, the software will be more complex, and the staff to make it all work may not be available.

Local governments that previously could manage with volunteer or improvised staffing now find themselves considering their first-ever Management Information Systems (MIS) director. The problem is that the proposed salaries may not generate much interest. The Information Technology Association of America (ITAA) recently estimated that there are 346,000 available IT jobs in the United States. Even private companies that pay what the market will bear are having difficulty recruiting and retaining skilled and experienced staff.

Private companies deal with the IT staff shortages by either aggressive recruiting and paying higher salaries or by changing the way they do business to minimize staffing needs. Constraints on public sector finance, hiring and firing, make it difficult for local governments to pursue the first option. Therefore, is it realistic to change the way municipal computing is done? Various schemes have been tried over the years to deal with retaining qualified IT workers in local and state government such as facility management contracts, outsourcing, service bureaus, etc. Many of these strategies involve unacceptable costs or control issues.

Technology itself may be the answer. Internet technology offers the possibility of moving the complexity of the network and its staff to central, privately-managed sites. An analogy is the telephone system. An employee can use a phone anywhere to do whatever needs doing by phone. The "user interface" can be a 20-year old Trimline, a new cellular, or a roadside pay phone. No training is required. The phone network itself, with all its hardware and software, is complicated, but that complexity is far removed from the end user. The phone system is no less useful for a worker in a town with 500 people than for a worker in a major city. Anyone who can punch in a number gets the same utility.

Routine business computing could begin to move toward user simplicity. A clerk who enters tax payments eight hours a day or types up board minutes does not need 333MHz performance, CD-ROM, stereophonic sound or network complexities. The fast growing acceptance of the Web has encouraged Internet-based applications. Within the last year, secure database transactions over the Internet have become a reality. Web-enabled public sector accounting, human resource, mapping, and other software solutions have made their debuts. The technology now exists for the following scenario for municipal computing:

A clerk in a small town turns on a computer (a \$3,000 Pentium II, a \$300 NC, or even an aging 386 with a \$50 modem) that connects to the Internet using a toll-free number on a secure line. The clerk enters tax payments in the usual way to a server that only al-

lows access to authorized officials from the community. The posted transactions update that community's financial database on a central server. Authorized local officials can update, query, and generate reports as if the server was physically in the town hall. Local control is maintained. The server, however, may be 100 miles away. Such a model could feature:

- **Lower cost.** The central server stores many communities' data so the cost of server hardware, software and staffing is shared.
- **Professional management.** A consortium of communities contracts with one or more private Web hosting firms who perform daily verified backups, have a tested disaster plan, built-in redundant systems, and maintain up-to-date security and state-of-the-art MIS standards. If the firm fails to perform, the vendor is replaced.

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LEGAL

in Our Opinion

Q: *Has there been a change in the valuation of motor homes for purposes of motor vehicle excise assessment?*

A: The Registry of Motor Vehicles, in conjunction with municipal assessors, has refined the process for the assessment of motor homes. Previously, mobile homes and trailers had been assessed only on the chassis. The new method used is valuation of the entire vehicle. This change has resulted in substantially higher excise bills for affected vehicles and increased revenues for local communities.

Q: *Voters approved a Proposition 2½ capital outlay exclusion under M.G.L. Ch.59 Sec.21C (1½) for the acquisition of modular classrooms. Is the school department now free to purchase the modular classrooms?*

A: Approval of the referendum by the voters does not mandate, but merely allows the community to raise property taxes in excess of the levy limit to pay for certain capital items. The favorable vote, however, does not permit the community to purchase those capital items unless town meeting, the town council, or the city council, as the case may be, has appropriated sufficient funds for such purposes prior to the setting of the tax rate for the fiscal year.

Q: *An unincorporated business was assessed personal property taxes. The owner claimed the equipment was leased and he was not responsible for the taxes. When the board of assessors asked the owner to produce a copy of the lease, he furnished an installment sale contract instead. Were the local property taxes properly assessed?*

A: Yes. As a general rule, leased equipment is exempt if it is the stock in trade of a leasing corporation (M.G.L. Ch.59 Sec.5 Cl.16). The leased equipment is taxable neither to the lessor nor

to the lessee. Any local tax would constitute double taxation since the value of the stock in trade is included as a measure of the corporate excise of the lessor corporation under Ch.63 Sec.30.

The Department has advised assessors that an installment sale or conditional sale agreement is considered a sale for property tax purposes in Massachusetts, even if the agreement stipulates that title to the personalty is retained by the lessor until the end of the agreement. Under the Uniform Commercial Code¹ such a retention of title is considered to be merely a security interest. In this instance, the unincorporated proprietor was the owner of the equipment for assessment purposes and was not eligible for exemption.

Q: *A town cemetery department receives money both for the sale of lots and for their perpetual care. For what purposes can these funds be expended?*

A: Proceeds from the sale of lots are placed in a receipts reserved account, for further appropriation by town meeting for the care, improvement, embellishment or enlargement of the cemetery (M.G.L. Ch.114 Sec.15). Perpetual care funds are also separately listed in a municipality's books and records, and invested by the treasurer. The cemetery commissioners may directly expend the perpetual care income for the maintenance of the cemetery and the cemetery lots (M.G.L. Ch.114 Sec.25). There is no appropriation of cemetery perpetual care funds by town meeting. All expenditures, however, must appear on a duly approved warrant signed by the board of selectmen and the accountant. ■

Compiled by James Crowley

¹M.G.L. Ch.106 Secs. 1-201(37) and 2-401(1).



Charter School Funding Changes

Several changes in charter school funding will affect FY99 budget planning. Below-foundation municipalities will no longer receive charter aid as part of their Chapter 70 allotment. Instead, all municipalities, above or below foundation, will be eligible for charter school tuition reimbursements under a new formula separate from Chapter 70. The amount of reimbursement will be based on the actual increase in your charter tuition expense over the previous year. In FY99 you will receive 100 percent of your FY99 increase, which will decline to 60 percent in FY00, 40 percent in FY01, and zero in FY02 and beyond. Each subsequent year's increase will be reimbursed on the same 100-60-40-0 scale.

The Board of Education recently granted eight new charters. Local officials will shortly be receiving enrollment estimates for each charter school from the Department of Education, which can be used to estimate FY99 tuition obligations.

Charter school tuition reimbursements are treated as general school revenues and cannot be used to help meet the municipality's net school spending requirement. Reported spending is reduced by these school revenues when determining net school spending compliance. ■

FOCUS

on Municipal Finance

Timely Tax Rate Setting

History indicates that it takes the Division of Local Services' Bureau of Accounts an average of three to five business days to process a tax rate, predicated on receipt of complete and accurate data. This average is affected by the number of communities in the pipeline ahead of your community and the availability of local finance officials to answer questions which may occur. Deadlines for setting timely tax rates and mailing tax bills depend on the billing method: semiannual or quarterly. Quarterly communities issue the first two preliminary tax bills in July and October each year and must mail the actual tax bills by December 31. Semiannual communities traditionally mail their first half tax bills on or before September 30. This article looks at the large number of fiscal participants involved in the tax rate setting process, examines when tax rates were set in FY98 and suggests ways to ensure that timely tax bills will be mailed according to your community's timetable.

Planning is the key. Fortunately, a major unknown in the planning process was eliminated last December by Chapter 237 of the Acts of 1997. Now quarterly billing communities can issue a third quarter estimated tax bill for **valuation** related issues with the approval of the Commissioner of Revenue. Previously, yearly statutory authorization was required and cities and towns were never quite sure if it would happen. This uncertainty led to municipalities scrambling at the last minute to set a rate, ready or not, to meet the immovable December 31 tax bill mailing date. Communities now have somewhat more flexibility and can realistically plan their work and eliminate errors that fre-

quently occur as the result of last minute rushing.

It is obvious when you look at *Table 1* that there are a lot of participants involved in the tax rate setting process, and even more in a certification year. *Table 1* presents a central box representing the tax rate setting process with the star, July 1, denoting the new fiscal year. Within that box are smaller boxes that describe major steps by various participants in the annual tax rate setting process. On the perimeter of the central box, we have illustrated the certification process that occurs once every three years, including target dates for either quarterly or semiannual billing municipalities. The text around the outer edges gives a brief summary of the general duties of the key municipal fiscal participants.

Communities should not make planning decisions in isolation. For exam-

ple, all communities deal with the Division of Local Services (DLS) for tax rate setting annually and recertification every third year. Also, many cities and towns use contractors for revaluation and service bureaus for printing tax bills. These outside entities can have a significant impact on your timetable. Scheduling should allow extra time for the unknown. All contracts involving outside vendors should have realistic timetables for the delivery of services and/or goods, realizing that vendors frequently have many communities wanting the same services at the same time.

The same holds true for the Division of Local Services. Not only do communities have to plan, DLS must plan as well. In a certification year planning is even more crucial. Bureau of Local Assessment notes, through community

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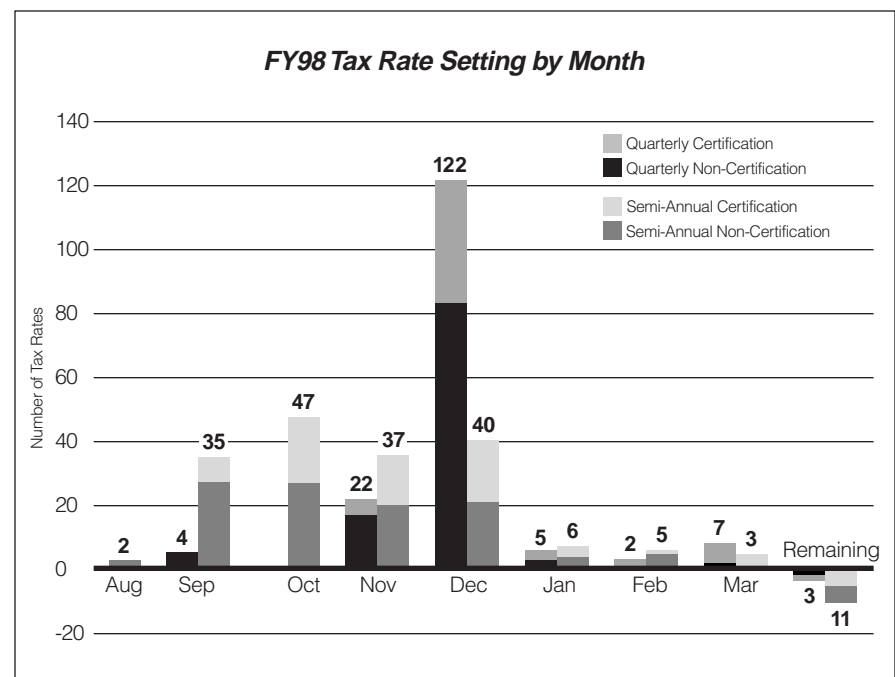


Figure 1

Table 1

Planning for Recertification* and Tax Rate Setting

Municipal Fiscal Participants

Board of Selectmen

The chief executive body of a town is the board of selectmen. The board of selectmen coordinates the general operations of the town government. It monitors the financial performance of the town and participates in the budget process. The selectmen should assume an active role in any issue or policy that has broad financial implications for the town. Town employees are appointed and supervised by the selectmen and expenditures are approved by the selectmen through the warrant process. In addition, the selectmen issue warrants to call town meetings and elections and sign debt issues for the town. Under Proposition 2½, the selectmen decide whether to seek voter approval of an override or exclusion to raise additional tax revenues for the budget. They also decide whether to accept the debt exclusion that shifts all or part of water and sewer debt service costs from user fees to tax levy. Allocation of the tax levy among property classes under the Classification Law is another decision made by the selectmen. Typically, the board of selectmen chooses an audit firm to conduct an annual audit of the town accounts.

Mayor or Manager

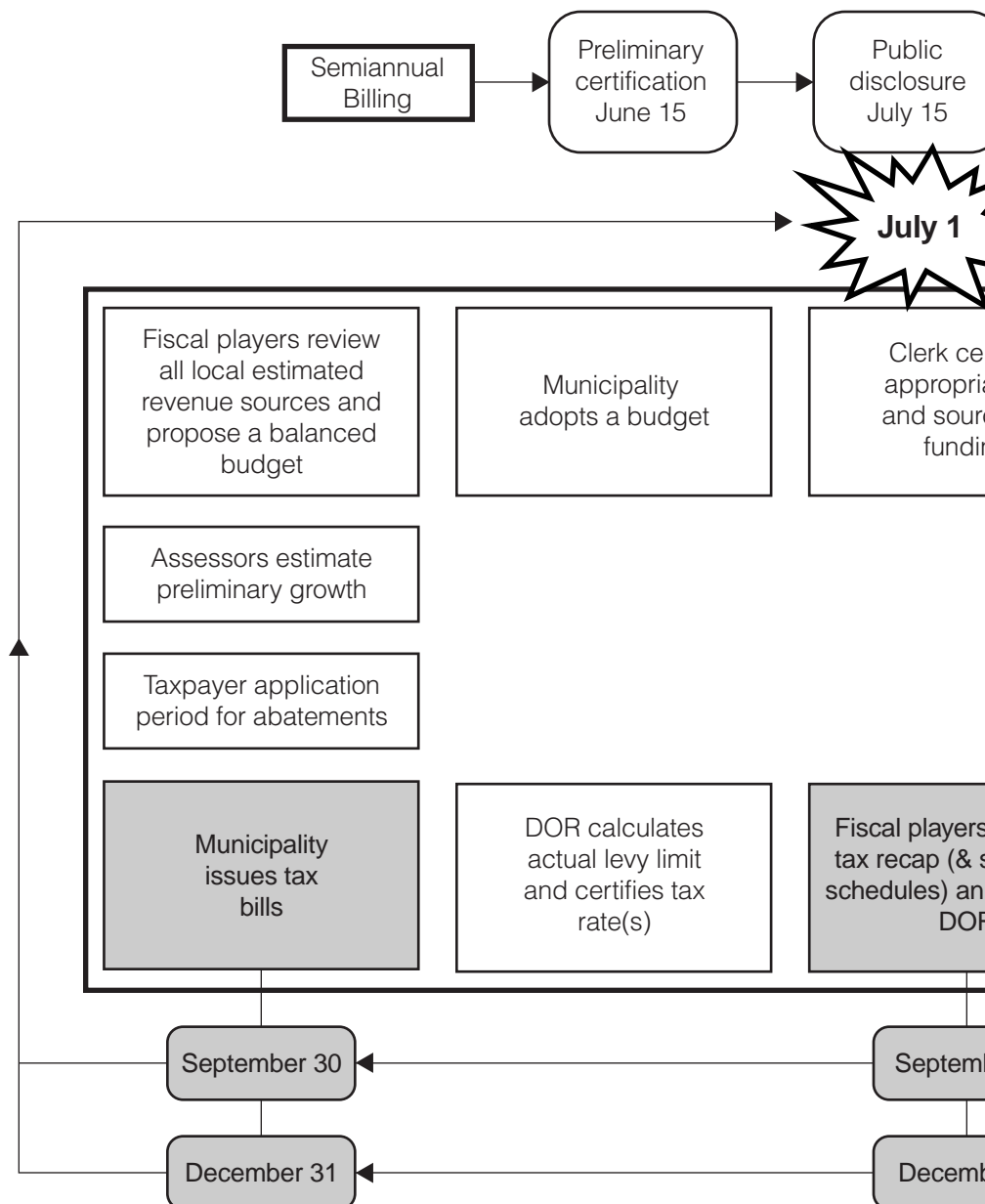
The chief executive in city government is the mayor or manager. The mayor or manager of a city acts as the city administrator. The mayor's responsibilities include submitting a budget to the city council, appointing personnel, negotiating collective bargaining and signing debt issues. Towns may establish the position of Town Manager or Town Administrator in a town charter or by a special act of the legislature. The responsibilities of such a role, and consequently its effect on the duties of the

board of selectmen, vary according to the authorizing language.

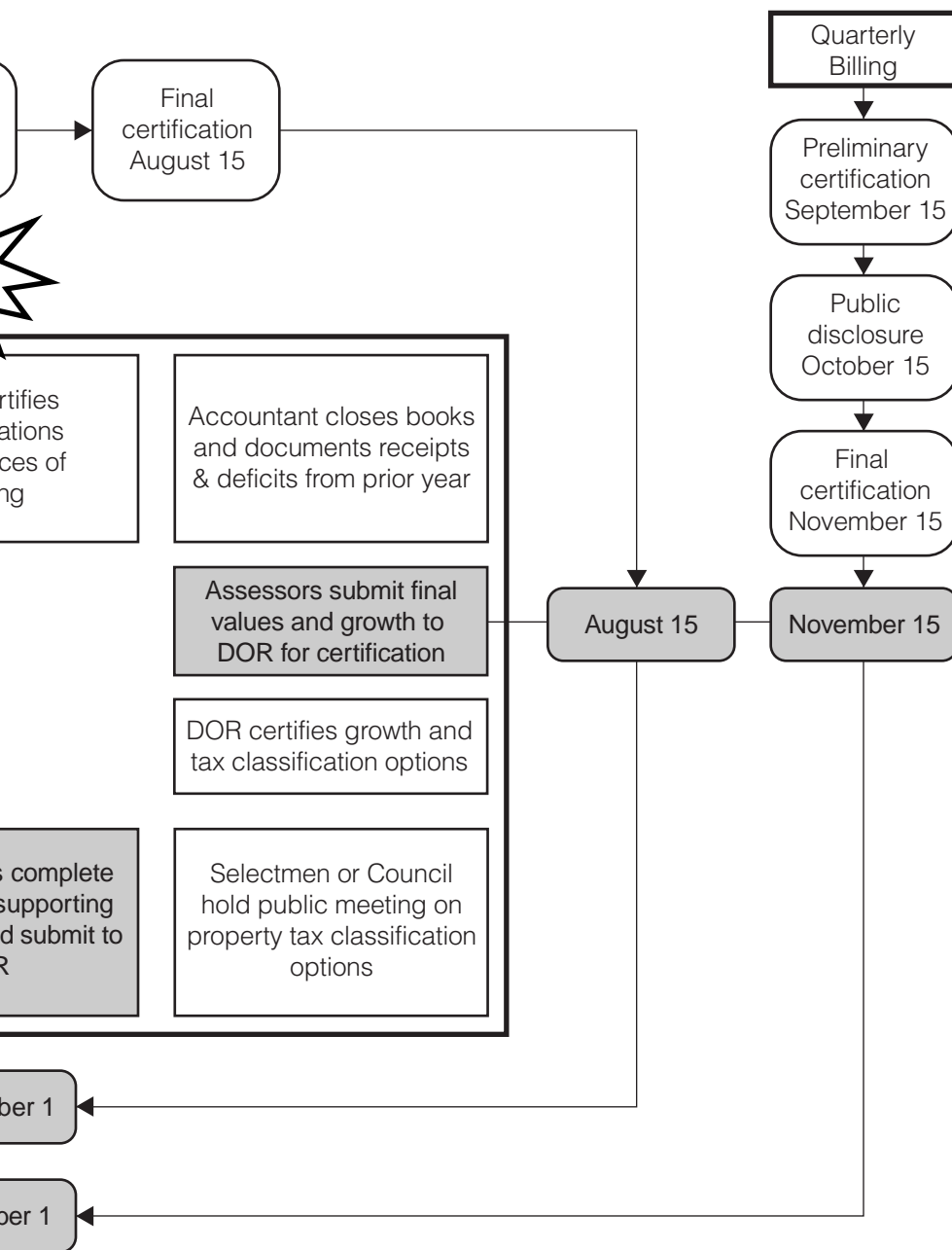
Council or Town Meeting

The structure of the legislative body of the municipality is determined by the municipality's status as a city or town. The city council is the legislative body in a city and the town meeting is the town legislative body. In a few towns a town council is the legislative body. The basic functions of these bodies

are the same. The city council and town meeting/town council make budget appropriations and authorize debt. The city council and town meeting/town council also enact ordinances, bylaws and regulations. The city council may reduce budget amounts submitted by the mayor and place Proposition 2½ questions on the ballot with the mayor's approval. In addition, the city council allocates the tax levy under classification with the mayor's approval.



* While the first three steps of the certification process (preliminary to final certification) are required once every five years, the remaining steps are performed annually as a part of the tax rate setting process.



Assessors

Assessors are responsible for maintaining a database of all of the properties in the municipality. The assessors also determine the property values and classify all of the property in the community. The annual Tax Rate Recapitulation Sheet and annual allowable levy growth report are prepared and submitted by the assessors. The assessors determine the amount of property taxes to be paid by each taxpayer and grant abatements and exemptions to taxpayers. The assessors are also responsible for administering motor vehicle, boat and farm excises.

Accountant or Auditor

The accountant or auditor maintains all of the municipality's financial records and reviews the bills and payrolls to ensure that they are within budget and are lawful expenditures. The accountant or auditor retains custody of all municipal contracts and prepares financial reports for the municipality. Additionally, the accountant or auditor issues monthly reports for each department on spending to date versus the budget.

Collector

The collector collects taxes and other receipts such as fees, licenses and permits in the community as authorized. Property taxes may be collected on a semiannual or quarterly cycle depending on local option.

City or Town Clerk

The clerk records appropriations and certifies them to the proper officers in the municipality. It is the clerk's duty to notify the Department of Revenue of the notes to encumber debt. In a city the clerk also retains copies of contracts and municipal records. ■

Finance Committee

Towns in Massachusetts have instituted finance committees to review departmental budgets and make recommendations to the town meeting. Another important function of the finance committee is its role in the transfer of money from a town's annual reserve fund. The finance committee's approval is required to transfer money from the town's reserve fund.

Treasurer

In a city or town the treasurer functions as the cash manager of all of the municipality's funds. The treasurer is responsible for the deposit, investment and disbursement of funds and can issue debt on behalf of the municipality. In addition the treasurer selects, procures and manages the banking services used by the municipality.

Timely Tax Rate Setting ➡ continued from page three

submissions of revaluation contracts and workplans, when important tasks are scheduled to be completed for review. These tasks include land schedules, residential and commercial values (to name a few). Often timetables are changed without informing DLS; other times communities do not strictly enforce them. These deviations from the schedule make it difficult and sometimes impossible to have certification appraisal staff available when the community is ready.

In fiscal year 1998, there are 186 semiannual tax billing communities (53 percent) and 165 quarterly billing communities (47 percent). *Figure 1* shows the tax rate setting patterns by month separately for quarterly and semiannual billing communities. Within each of those two monthly vertical bars, we have indicated how many communities had their property valuations recertified. One would think that the majority of semiannual billing communities would have their tax rates set by October. However, that is not the case. Only 84 communities, or 45 percent, accomplished the task in time for the September 30 bill. It appears that tax rate setting of semiannual communities is relatively evenly spread between September and December with nearly 87 percent complete by the end of the calendar year. Seventy-four percent of quarterly billing communities set tax rates in December. That means that 46 percent or nearly half of all communities in the Commonwealth set their tax rate in December.

DLS issued a Bulletin in April, Realistic Planning for Recertification and Tax Rate Setting, that suggests target dates for tax rate setting and triennial recertification. Should a community not meet the target dates, DLS recommends the use of preliminary tax

bills to ensure adequate cash flow. Every effort will be made to accommodate communities, however, we cannot guarantee that communities submitting after these dates will receive final certification or that the tax rate will be set so actual tax bills can be mailed on either September 30 or December 31.

Consequently, we have some suggestions to facilitate timely rate setting. The members of the financial team should work closely to establish target dates, share problems and create solutions. First, establish the date you wish to send out your tax bills and then work backwards to determine when vital tasks should be accomplished. Monitor contractors closely to be sure they keep to their schedules. Be aware of periods of heavy workloads for various local officials, contractors and DLS, and plan accordingly. Notify DLS when your timetables change and provide preliminary information whenever possible, so that we can adapt as much as possible to your needs and provide assistance when necessary. Try not to be too ambitious particularly in a certification year since this can lead to delays. Specifically, DLS recommends that you do not implement a new tax mapping system or a new valuation system in that year. Build in plenty of time for unforeseen occurrences to be sure you can accomplish your goals realistically. Keep in mind that while the Bureau of Accounts is busiest in the month of December setting tax rates, the Bureau of Local Assessment is busiest in the preceding months completing on-site recertification reviews. Tax rate setting involves many participants and if we all work cooperatively, we can achieve our mutual goal of getting that rate set in a timely manner. ■

*Written by Marilyn H. Browne
Graphics by Melinda J. Ordway and Donna Demirai
Statistics by Anthony Rassias*

The Future of Municipal Computing? ➡ continued from page one

• **Choice of software.** Any vendor who Web-enables its applications can offer versions through such a network.

• **Improvements for smaller communities.** Smaller towns would not lag behind larger communities in technology and their financial data would not be at risk due to inadequate system administration.

• **Internet-based services.** Future possibilities are endless, but would be aided by concentrating purchasing power, proven ideas, and contractual safeguards.

• **Important "little things."** For example, easy to use e-mail within and among municipalities allow municipal business to be conducted at home, in another office, or out-of-state, making location irrelevant. Electronic transfers from mortgage companies' taxpaying services, centralized mailing and lock-box services, etc. can improve cash flow and remove burdensome clerical duties.

An argument can be made that the preceding scenario will occur because of the difficulty in finding, paying and retaining high level technology staff. In the short run, the concept should be tested. If enough communities express interest, there may be state and/or federal funding for a demonstration project.

The Division of Local Services (DLS) encourages interlocal agreements to promote regional solutions. DLS would be willing to assist interested local governments in facilitating agreements with other state agencies and appropriate blanket vendors. The potential for this concept, however, lies in contracting with the private sector. For further information contact David Davies, Director of Information Technology, at (617) 626-2383. ■

DLS UPDATE

Purchasing Course Update

Participation in the Massachusetts Certified Public Purchasing Program (MCPPO) has been outstanding. Authorized by the legislature in 1996 to establish a training program to promote professionalism in public contracting, the Office of the Inspector General has awarded over 600 course completion certificates. Program graduates are now eligible to apply for MCPPO designations.

Seminars currently being offered are: *Public Contracting Overview* (formerly general certification) and *Supplies & Services*. Each three-day seminar provides a comprehensive overview of legal requirements for public contracting and hands-on workshops that apply contracting knowledge and skills to practical problems faced by procurement officials. Anyone with responsibility for procurement, contract management or oversight, or auditing will benefit from these seminars. Public officials who have recently entered the procurement field and employees who are working in a support capacity will gain valuable insight. Each seminar has been designed to meet national standards for recognition and offer continuing education credits (CPE, CEU and PDP).

1998 Schedule

Public Contracting Overview

May 19-21	Cape Cod
June 9-11	Taunton
July 14-16	Boston
Oct. 6-8	Western Mass.
Dec. 8-10	Boston

Supplies & Services

June 3-5	Boston
June 23-25	Cape Cod
Sept. 16-18	Taunton
Nov. 18-20	Western Mass.

For more information visit the Office of the Inspector General's website at www.state.ma.us/ig/ighome.htm or call (617) 523-1205 for a brochure and registration form. ■

Underground Storage Tank Program

Many communities are struggling with the problem of how to handle underground storage tanks at Department of Public Works garages, and other municipally-owned sites, in order to comply with the December 22, 1998 state and federal compliance deadline. There is a remedy. Municipal Grants Program regulations (503 CMR3) offer grants to cities and towns for the removal and/or replacement of Underground Storage Tanks (UST). The grants can be up to 50 percent of eligible costs. Grants applications must be filed within one year of completing the work.

Grants, which can distribute up to \$2,000,000 annually, are divided into four classifications: classification one, leaking USTs; classification two, closure of fuel storage tanks; classification three, USTs used for public safety, schools, hospitals or emergency generators; and classification four, all other USTs. Funding is allocated 40 percent to classification one, 30 percent to classification two, and 15 percent each to classifications three and four. Only one grant application per entity per year is allowed.

Applications will be prioritized based on four criteria: category one, construction of UST; category two, age of UST; category three, proximity to water; and category four, stored petroleum product. For aboveground storage tank (AST) replacement, the application must provide documentation demonstrating that the selected replacement

is equal to or less costly than replacement with a new underground fuel storage tank exclusive of environmental concerns. The maximum amount of eligible costs will be the cost of removal and replacement with an underground fuel storage tank.

Grant applications must be signed by the Chief Financial Officer and include the actual costs incurred for the closure, removal and/or replacement of the fuel storage tank system or estimates of expected costs if a city or town is seeking preapproval. Costs should be documented with invoices from contractors qualified to do the work and/or cost estimates from at least two contractors qualified to do the work. Proof of payment should be submitted with the application.

Only costs directly associated with the UST/AST installation and/or removal will be eligible for a grant. Such costs include: purchase and installation of a new UST; piping purchase and installation; disposal of the sludge/liquid from the UST being removed; backfilling; and excavation necessary for UST removal. Ineligible costs include environmental site clean-up, dispensers, dispenser islands, lighting, canopies, fire suppression systems, heat exchangers, engineering report, and any other costs the UST Administrative Review Board determines to be ineligible. If money for this project has been sought or received from any other source, the applicant must notify the Board. For more information about the Underground Storage Tank Program call Bill Alpine at (617) 727-8500 x648. ■

Municipal Fiscal Calendar

May 1

Taxpayer: *Deadline for Payment of Semi-annual and Quarterly Tax Bill Without Interest*

Treasurer: *Deadline for Payment of 2nd Half of County Tax*

Accountant/Treasurer: *Notification of Amount of Debt Due in Next Fiscal Year*
As required by M.G.L. Ch. 44, Sec. 28, the Accountant or Treasurer must notify the Assessors of all debt due in the next fiscal year because the town is required to pay its debts, appropriated or not.

Since all debt service must be paid, any debt service not covered by town meeting appropriations is added to the "Other Local Expenditures" category, found on page 2 of the Tax Recapitulation Sheet. It is important that the Assessors have this information in order to avoid setting a tax rate lower than required and raising insufficient revenue to cover the municipality's expenditures.

May 15

Treasurer: *3rd Quarterly Reconciliation of Cash (due 45 days after end of quarter)*

DOR/BLA: *Commissioner Determines and Certifies Telephone and Telegraph Company Valuations*

Opportunities for Training

A *Classification Training Workshop* will be given on Tuesday, May 19, 1998 in Room C309 at Holyoke Community College.

"What's New in Municipal Law" will be held on May 15, 1998 in West Springfield and on May 22, 1998 in Framingham.

New Officials Finance Forum for newly elected or appointed officials will be held in Auburn on Friday, June 5, 1998.

Contact Barbara LaVertue at (617) 626-2340 for more information.

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Another Reminder

Year 2000 and Local Government

Recently, major federal agencies announced that despite their best efforts, they would not be fully Year 2000 compliant by December 31, 1999. State agencies are dropping or deferring other projects to get back on schedule. Avoid embarrassment and unexpected costs by checking and re-checking now.

- Who is the Year 2000 Coordinator in your community? If you do not know or one has not been appointed, how will your community know it does not face a major problem?
- Don't depend on assurances and assumptions.
- Test critical applications and devices in 1998.
- If you rely on a vendor, see test results and get guarantees in writing. ■

City & Town



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Marilyn H. Browne, Managing Editor

Jean M. McCarthy, Editor

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Division of Local Services
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